FDIC State Profile

Summer 2005

Illinois

First quarter job growth accelerated in Illinois.

- The professional and business services, leisure and hospitality, and educational and health services sectors accounted for the majority of year-over-year job growth in first quarter 2005 (See Chart 1). Most of the gains occurred in the **Chicago-Naperville-Joliet** metropolitan division.

- The state's manufacturing sector lost 1,100 jobs year-over-year through first quarter 2005, largely in the nondurable goods sector. Producers of durable goods increased hiring in response to rising capital spending by U.S. firms and stronger demand from abroad. In contrast, job cuts in the food processing and printing sectors contributed to lower employment among producers of nondurable goods. However, the recent slowing of auto sales and weakness among auto manufacturers, as evidenced by the downgrade in the bond ratings of General Motors and Ford to below investment grade, may dampen job growth prospects in the auto and auto parts sectors.

- Illinois' information and government sectors continued to report year-over-year job losses. Weakness within the information sector exists largely from the telecommunications and publishing sectors in the Chicago-Naperville-Joliet metropolitan division.

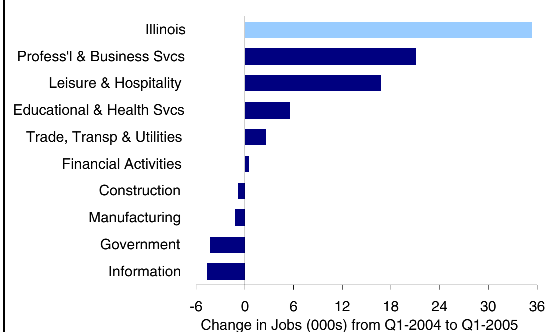
- According to recommendations from the May 2005 U.S. Department of Defense Base Realignment and Closure report, Illinois may lose almost 2,700 military and civilian jobs, largely from the realignment of military installations in **Lake** county.

Illinois home prices are rising faster than personal incomes.

- During the past four years, home price appreciation in Illinois outpaced personal income growth, a situation that may suggest declining housing affordability for some consumers in the state. (See Chart 2).

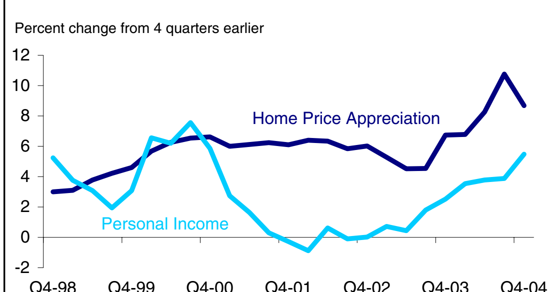
- Illinois enjoyed higher home price appreciation than other nearby Midwestern states. Nonetheless, home values in the state continued to rise slower than the national average. In the state's fastest growing area of

Chart 1: Job Gains Vary Across Sectors



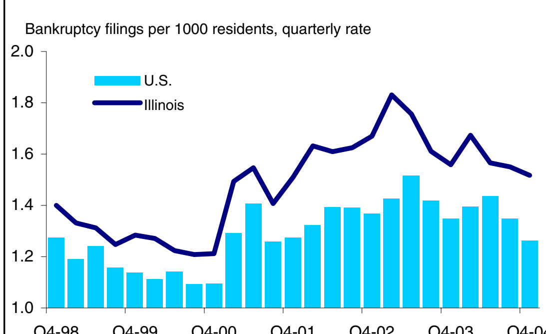
Source: Bureau of Labor Statistics

Chart 2: Illinois' Home Price Appreciation Outpaced Personal Income Growth



Sources: Office of Federal Housing Enterprise Oversight; Bureau of Economic Analysis

Chart 3: Illinois Closing Gap in Bankruptcies



Source: Administrative Office of the U.S. Courts

Chicago-Naperville-Joliet, home prices grew 10.6 percent from first quarters 2004 to 2005, compared with the national average of 12.5 percent.

- Illinois continued to experience a higher per capita bankruptcy rate, relative to the nation. However, the gap between the state and national rates declined during 2004, perhaps demonstrating that strengthening labor markets are beginning to improve household conditions (See Chart 3). The pace of personal bankruptcy filings and mortgage foreclosures rates slowed in fourth quarter 2004, compared with one-year ago. Personal bankruptcy filings, however, may rise prior to the October 2005 effective date of the new bankruptcy law, which makes it more difficult for consumers to discharge their debt in bankruptcy.

Illinois community institutions[1] reported stable performance.

- Profitability among Illinois-based community institutions improved in first quarter 2005 from one year ago, as higher net interest income and lower provision expense outpaced a decline in noninterest income (See Table 1).

- Net interest margins (NIMs) continued to improve from a year earlier, as higher asset yields exceeded funding cost increases. Bank funding costs are poised to increase more rapidly than asset yields through 2005, should the yield curve continue to flatten.

Moderate and stable loan growth continued.

- Total assets among community institutions increased by 5.5 percent in the first quarter 2005 compared with first quarter 2004, led by growth in the commercial real estate and construction and development loans.

- Consumer loans declined by 10 percent, while home equity loans grew 12 percent, a situation caused perhaps by a combination of the large number of many households that used home equity loans as a source of borrowing and tighter bank underwriting standards for consumer lending portfolios.

Adjustable-rate mortgages (ARMs) are increasingly popular

- The popularity of ARMs in Illinois increased substantially during the past few years, most notably in 2004, despite historically low rates on fixed-rate mortgages (See Chart 4). Accelerated home price appreciation, increased investment purchases of homes, slower personal income growth, and an increasingly mobile work force that contemplates frequent relocations may be contributing to the increased use of ARMs.

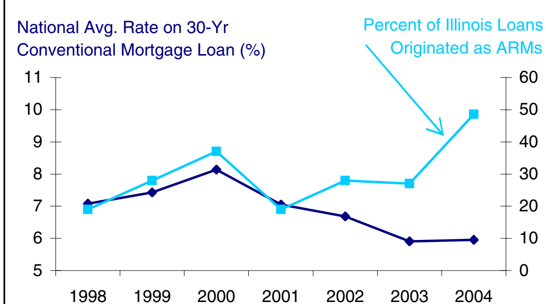
- Asset quality remained stable as delinquency ratios improved across all major loan categories (See Chart 5). However, an increasing use of ARMs could leave some highly leveraged ARM borrowers vulnerable to interest rate increases. For some banks, additional ARMs may mitigate interest rate risk but could lead to greater credit risk.

Table 1: Higher Net Interest Income Boosted Profitability

Income statement contribution (percent of average assets)	3 months ended March 31		Percentage Point Change
	2004	2005	
Net Interest Income	3.37	3.44	0.07
Noninterest Income	0.71	0.69	-0.02
Noninterest Expense	-2.60	-2.59	0.01
Provision Expense	-0.17	-0.12	0.05
Security Gains & Losses	0.07	0.01	-0.06
Pretax Net Income	1.38	1.43	0.05
Income Taxes	-0.34	-0.32	0.02
Net Income (ROA)	1.04	1.11	0.07

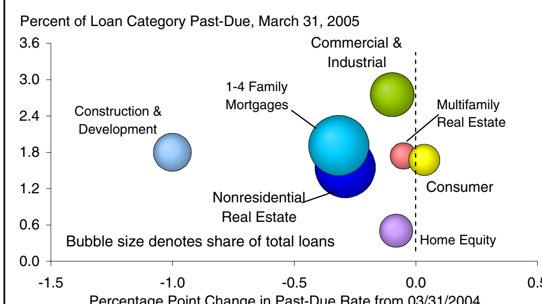
Source: FDIC. Merger-adjusted data for Illinois' Community Institutions

Chart 4: Popularity of ARMs Increased Recently Despite Low Rates on Fixed-Rate Mortgages



Source: Federal Housing Finance Board

Chart 5: Delinquency Rates Continue to Improve Across Major Categories



Source: FDIC. Merger-adjusted data for Illinois' Community Institutions

[1] Community institutions are insured institutions with less than $1 billion in assets, excluding new (less than three years old) and specialty banks. Data adjusted for merger activity. reported stable performance.

Illinois at a Glance

ECONOMIC INDICATORS (Change from year ago quarter, unless noted)

Employment Growth Rates	Q1-05	Q1-04	Q1-03	Q1-02	Q1-01
Total Nonfarm (share of trailing four quarter employment in parentheses)	0.6%	-0.6%	-1.2%	-2.4%	0.3%
Manufacturing (12%)	-0.2%	-4.6%	-4.9%	-9.3%	-3.4%
Other (non-manufacturing) Goods-Producing (5%)	-0.3%	-2.6%	-1.0%	1.2%	2.0%
Private Service-Producing (69%)	1.1%	0.4%	-0.8%	-2.1%	0.9%
Government (14%)	-0.5%	-1.4%	-0.1%	1.9%	1.1%
Unemployment Rate (% of labor force)	5.7	6.4	6.7	6.3	5.1

Other Indicators	Q1-05	Q1-04	Q1-03	Q1-02	Q1-01
Personal Income	N/A	4.1%	1.3%	-0.3%	3.4%
Single-Family Home Permits	-3.5%	16.1%	-1.7%	4.5%	-6.3%
Multifamily Building Permits	46.9%	-7.6%	-11.0%	10.2%	14.2%
Existing Home Sales	2.9%	1.5%	4.3%	14.3%	-4.2%
Home Price Index	9.4%	6.8%	5.3%	6.4%	6.0%
Bankruptcy Filings per 1000 people (quarterly level)	1.62	1.67	1.83	1.63	1.49

BANKING TRENDS

General Information	Q1-05	Q1-04	Q1-03	Q1-02	Q1-01
Institutions (#)	744	760	784	804	825
Total Assets (in millions)	351,724	580,720	529,499	470,126	442,884
New Institutions (# < 3 years)	10	6	14	36	45
Subchapter S Institutions	199	193	183	160	145

Asset Quality	Q1-05	Q1-04	Q1-03	Q1-02	Q1-01
Past-Due and Nonaccrual Loans / Total Loans (median %)	1.62	1.81	2.20	2.11	2.08
ALLL/Total Loans (median %)	1.12	1.17	1.16	1.12	1.07
ALLL/Noncurrent Loans (median multiple)	1.74	1.59	1.53	1.45	1.57
Net Loan Losses / Total Loans (median %)	0.09	0.09	0.10	0.10	0.09

Capital / Earnings	Q1-05	Q1-04	Q1-03	Q1-02	Q1-01
Tier 1 Leverage (median %)	9.18	9.05	8.96	9.04	9.13
Return on Assets (median %)	0.97	0.97	0.99	0.96	0.94
Pretax Return on Assets (median %)	1.27	1.27	1.30	1.28	1.25
Net Interest Margin (median %)	3.88	3.86	3.86	3.86	3.81
Yield on Earning Assets (median %)	6.62	6.58	6.76	6.95	7.24
Cost of Funding Earning Assets (median %)	2.78	2.75	2.93	3.13	3.45
Provisions to Avg. Assets (median %)	0.12	0.12	0.12	0.13	0.12
Noninterest Income to Avg. Assets (median %)	0.51	0.52	0.54	0.52	0.51
Overhead to Avg. Assets (median %)	2.69	2.69	2.69	2.67	2.66

Liquidity / Sensitivity	Q1-05	Q1-04	Q1-03	Q1-02	Q1-01
Loans to Assets (median %)	61.7	59.6	59.9	61.0	60.9
Noncore Funding to Assets (median %)	17.1	16.1	15.6	15.3	15.6
Long-term Assets to Assets (median %, call filers)	13.6	15.2	14.5	15.0	13.9
Brokered Deposits (number of institutions)	224	192	162	142	122
Brokered Deposits to Assets (median % for those above)	4.1	4.1	3.9	3.8	3.0

Loan Concentrations (median % of Tier 1 Capital)	Q1-05	Q1-04	Q1-03	Q1-02	Q1-01
Commercial and Industrial	63.5	66.0	69.0	70.5	73.1
Commercial Real Estate	152.1	139.2	124.1	115.6	108.2
Construction & Development	18.0	16.2	12.8	12.9	10.8
Multifamily Residential Real Estate	8.2	6.9	5.3	5.0	4.4
Nonresidential Real Estate	106.9	95.2	92.0	83.3	75.8
Residential Real Estate	183.2	180.8	189.8	199.0	203.2
Consumer	33.1	37.1	43.3	49.5	53.9
Agriculture	34.6	33.8	37.8	40.0	43.1

BANKING PROFILE

Largest Deposit Markets	Institutions in Market	Deposits ($ millions)	Asset Distribution	Institutions
Chicago-Naperville-Joliet, IL-IN-WI	338	220,508	< $250 million	563 (75.7%)
Bloomington-Normal, IL	26	7,994	$250 million to $1 billion	145 (19.5%)
Davenport-Moline-Rock Island, IA-IL	46	5,440	$1 billion to $10 billion	31 (4.2%)
Rockford, IL	23	5,177	> $10 billion	5 (0.7%)
Peoria, IL	46	5,173		